Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (Japanese Accounting Standards)

May 13, 2019

Name of Listed Company: Mitsubishi Materials Corporation   Listing: Tokyo Stock Exchange
Stock Code: 5711   URL: http://www.mmc.co.jp/
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Scheduled date for ordinary general meeting of shareholders: June 21, 2019
Scheduled date of start of dividend payment: June 3, 2019
Scheduled date of submission of securities report: June 21, 2019
Supplementary materials for the financial results: Yes
Investor conference for the financial results: Yes (For Institutional Investors)

(Amounts of less than million yen are omitted.)

1. Results of the Consolidated Fiscal Year Ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(1) Consolidated Results of Operations (Figures in percentages denote the year-on-year change.)

	Net sales		Operating profit		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2019	1,662,990	4.0	36,861	-49.4	50,679	-36.3	1,298	-96.2
Year ended March 31, 2018	1,599,533	22.7	72,819	21.9	79,621	24.6	34,595	22.0

(Note) Comprehensive income: Year ended March 31, 2019: -30,756 million yen (–%) Year ended March 31, 2018: 80,068 million yen (16.5%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2019	9.92	–	0.2	2.6	2.2
Year ended March 31, 2018	264.15	–	5.3	4.1	4.6

(Reference) Equity in earnings of affiliates: Year ended March 31, 2019: 3,594 million yen Year ended March 31, 2018: -1,336 million yen

(Note) The Company has been applying "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 on February 16, 2018) from the beginning of the consolidated fiscal year under review. Individual figures related to the period ended March 31, 2018 have had the accounting standards applied retroactively.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2019	1,938,270	723,337	32.7	4,838.31
As of March 31, 2018	2,011,067	768,495	33.9	5,211.20

(Reference) Shareholders' equity: As of March 31, 2019: 633,582 million yen As of March 31, 2018: 682,471 million yen

(Note) The Company has been applying "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 on February 16, 2018) from the beginning of the consolidated fiscal year under review. Individual figures related to the period ended March 31, 2018 have had the accounting standards applied retroactively.

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2019	140,168	-86,238	-47,613	99,672
Year ended March 31, 2018	50,715	-83,957	-11,034	87,355

2. Dividend Payments

	Dividends per share					Total dividend amount (annual)	Dividend payout ratio (consolidated)	Dividends to net assets (consolidated)
(Record date)	First quarter	Second quarter	Third quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2018	–	30.00	–	50.00	80.00	10,477	30.3	1.6
Year ended March 31, 2019	–	40.00	–	40.00	80.00	10,476	806.6	1.6
Year ending March 31, 2020 (Forecast)	–	40.00	–	40.00	80.00		34.9	

3. Consolidated Earnings Forecast (From April 1, 2019 to March 31, 2020) (Figures in percentages denote the year-on-year change.)

	Net sales		Operating profit		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2019	830,000	-3.0	23,000	-16.7	24,000	-27.4	12,000	-19.2	91.63
Year ending March 31, 2020	1,700,000	2.2	51,000	38.4	62,000	22.3	30,000	–	229.08

* Notes
(1) Significant changes of subsidiaries during the term under review (changes in specific subsidiaries accompanied by a change in the scope of consolidation): None

(2) Changes in accounting policies, changes of accounting estimates and restatement
  (i) Changes in accounting policies due to amendments to accounting standards: None
  (ii) Other changes in accounting policies: None
  (iii) Changes in accounting estimates: None
  (iv) Restatements: None

(3) Numbers of issued shares (common stock)
  (i) Numbers of issued shares at end of terms (including treasury shares):
    Year ended March 31, 2019: 131,489,535 shares
    Year ended March 31, 2018: 131,489,535 shares
  (ii) Numbers of treasury shares at end of terms:
    Year ended March 31, 2019: 538,493 shares
    Year ended March 31, 2018: 527,089 shares
  (iii) Average number of shares issued during terms:
    Year ended March 31, 2019: 130,956,379 shares
    Year ended March 31, 2018: 130,972,453 shares

(Reference) Summary of Non-Consolidated Financial Results
Results of the Non-Consolidated Fiscal Year Ended March 31, 2019 (From April 1, 2018 to March 31, 2019)
(1) Non-Consolidated Results of Operations (Figures in percentages denote the year-on-year change.)

	Net sales		Operating profit		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2019	852,820	-1.9	-10,949	–	5,169	-83.5	-13,568	–
Year ended March 31, 2018	869,677	28.9	13,732	13.3	31,370	15.3	25,530	29.6

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended March 31, 2019	-103.61	–
Year ended March 31, 2018	194.93	–

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2019	1,269,756	463,862	36.5	3,542.19
As of March 31, 2018	1,355,347	533,103	39.3	4,070.58

(Reference) Shareholders' equity: As of March 31, 2019: 463,862 million yen As of March 31, 2018: 533,103 million yen
(Note) The Company has been applying "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 on February 16, 2018) from the beginning of the consolidated fiscal year under review. Individual figures related to the period ended March 31, 2018 have had the accounting standards applied retroactively.

* This financial results is outside the scope of audit procedures by certified public accountants and audit firms.

* Explanation about the proper use of financial forecasts and other special notes
(Notes concerning forward-looking statements, etc.)
The operating results forecasts and other forward-looking statements contained in this report are based on information currently available to the Company, as well as certain assumptions that the Company has judged to be reasonable. As such, they do not constitute an assurance that the Company promises to achieve these projected results. Therefore, readers are advised to note that the actual results may vary materially from the forecasts due to a variety of factors.
Please see "(1) Overview of operating results, Outlook for the year ending March 31, 2020" of "1. Overview of Operating Results and Financial Position" on page 4 for the assumptions about consolidated earnings forecasts.

(Procedure for obtaining supplementary materials and investor conference for the financial results)
Mitsubishi Materials Corporation plans to hold an investor conference for institutional investors on Monday, May 13, 2019.
The supplementary materials used at this conference are disclosed on the TDnet and the Company's web page at the time that the financial results are announced.

Contents

1. Overview of Operating Results and Financial Position

(1) Overview of operating results

1) Overview of performance

During the consolidated fiscal year under review, although signs of an economic slowdown were seen in China, a moderate recovery was seen in the Asian economies of Thailand and Indonesia. In the United States, the economy continued to improve steadily.

In Japan during the consolidated fiscal year under review, employment and income conditions were on the road to recovery, and capital expenditure showed signs of increasing. However, improvement in corporate earnings and growth in industrial production appeared to slow down.

Regarding the business environment for the Mitsubishi Materials Group, although demand related to cemented carbide products and cement held firm, factors such as falling copper prices and rising energy costs had a negative impact.

Under these circumstances, in accordance with its Long-Term Management Policy for the next 10 years and Medium-Term Management Strategy (FY2018-2020) that focuses on the planning and implementation of growth strategies, the Mitsubishi Materials Group continued to implement various measures as the theme of "Transformation for Growth" to achieve group-wide policies for the enhancement of corporate value, namely "optimization of business portfolio," "comprehensive efforts to increase business competitiveness," and "creation of new products and businesses."

As a result, consolidated net sales for the fiscal year under review totaled ¥1,662,990 million, up 4.0% year on year. However, given the impact of factors such as higher costs for smelting and inventory shortage loss posted at the end of the fiscal year in the Metals business, operating profit fell 49.4% year on year, to ¥36,861 million, and ordinary income dropped 36.3%, to ¥50,679 million. As a result of examining the recoverability of deferred tax assets based on various factors such as operating results during the consolidated fiscal year under review and the outlook for the future, the Company reversed ¥8.7 billion of its non-consolidated deferred tax assets. As a result, net income attributable to owners of parent fell 96.2%, to ¥1,298 million.

2) Overview by business segments

From this fiscal year, the reporting segments have been changed, among other changes. The details are set forth in "Segment Information" of "4. Consolidated Financial Statements." In this regard, in comparison with the data of the previous fiscal year below, the numerical data obtained upon the reclassification of the numerical data for the previous fiscal year under the changed segments is used.

(Advanced Products)

(Billion yen)

	FY 2018	FY 2019	Increase / Decrease (%)
Net sales	536.0	570.9	34.9 (6.5%)
Operating profit	18.4	11.9	-6.4 (-35.1%)
Ordinary income	18.4	13.2	-5.2 (-28.5%)

In the copper and copper alloy products business, net sales increased and operating profit decreased as a result of an increase in the costs of raw materials, despite the sales increase that was mainly attributable to the contribution of MMC Copper Products OY to the consolidated results from the beginning of the fiscal year.

In the electronics materials & components business, both net sales and operating profit decreased, reflecting decline in sales of products such as products for displays, for LSI of smartphones, and for optical communications related equipment.

In the aluminum products business, net sales increased due to a rise in aluminum prices, despite a decrease in

the sales volumes of beverage aluminum bottle cans and rolled and processed products such as extruded products for automobiles and plate products for litho sheets. While, energy costs rose. As a result, the aluminum products business posted an increase in net sales and a decrease in operating profit.
Consequently, net sales for the entire Advanced Products increased year on year, but operating profit decreased. Ordinary income declined due to the decrease in operating profit.

(Metalworking Solutions Business)

(Billion yen)

	FY 2018	FY 2019	Increase / Decrease (%)
Net sales	161.1	171.5	10.3 (6.4%)
Operating profit	18.5	16.7	-1.7 (-9.7%)
Ordinary income	16.8	15.6	-1.1 (-7.1%)

In the cemented carbide products business, net sales and operating profit increased as a result of strong sales mainly in Japan, Europe, United States, China and Southeast Asia.
In the sintering parts, etc. business, net sales increased due to growth in demand for mainstay sintering parts in Japan and North America. However, the operating loss expanded due to the increased costs associated with quality inspection and shipments.
Consequently, net sales for the entire Metalworking Solutions business increased year on year, but operating profit decreased. Ordinary income declined mainly due to the decrease in operating profit.

(Metals Business)

(Billion yen)

	FY 2018	FY 2019	Increase / Decrease (%)
Net sales	715.3	720.0	4.7 (0.7%)
Operating profit (loss)	12.7	-7.1	-19.9 (–%)
Ordinary income	25.4	2.3	-23.0 (-90.9%)

In the copper business, both net sales and operating profit decreased, mainly due to the lower production volume resulting from periodic furnace repairs at PT. Smelting in Indonesia and Naoshima Smelter and Refinery and the increased costs for smelting.
In the gold and other valuable metals business, net sales increased while operating profit declined, mainly because of the inventory shortage loss posted at the end of the fiscal year, despite increased production of gold as a result of a rise in the amount contained in raw materials.
As a result, overall the Metal business posted year-on-year increase in net sales, but operating profit declined. Ordinary income decreased due to the decrease in operating profit and dividend income.

(Cement Business)

(Billion yen)

	FY 2018	FY 2019	Increase / Decrease (%)
Net sales	192.3	198.2	5.9 (3.1%)
Operating profit	19.4	13.4	-5.9 (-30.6%)
Ordinary income	21.0	15.4	-5.5 (-26.6%)

Despite the firm performance of construction work of facilities related to the Tokyo Olympic and Paralympic Games in the Tokyo metropolitan area, as well as the extension work of the Hokuriku Shinkansen in the Hokuriku area in Japan, mainly rising energy costs resulted in a decline in operating profit, even as net sales increased.
In the United States, although the sales price of ready-mixed concrete rose, given an increase in fuel and other costs, net sales increased and operating profit decreased.
Consequently, net sales for the entire Cement business increased year on year, but operating profit decreased. Ordinary income declined mainly due to the decrease in operating profit.

(Others Business)

(Billion yen)

	FY 2018	FY 2019	Increase / Decrease (%)
Net sales	249.5	255.7	6.2 (2.5%)
Operating profit	13.1	13.1	-0.0 (-0.1%)
Ordinary income	8.3	14.6	6.3 (76.3%)

In the energy-related business, net sales decreased but operating profit increased due to a rise in the sales price of coal as well as the solid performance of the hydroelectric power generation business and the business of supplying steam to geothermal power plants, despite a decline in sales of nuclear energy-related business.
In the environment recycling business, net sales increased and operating profit decreased due to the costs incurred for the launch of new business, despite an increase in recycling volumes.
Others business excluding the energy-related business and the environmental recycling business, both net sales and operating profit increased.
In the overall Others business, net sales increased year on year, but operating profit decreased. Ordinary income increased, reflecting a decrease in equity in losses of affiliates.

3) Outlook for the fiscal year ending March 31, 2020

Although the U.S. economy is expected to grow steadily, the future of the global economy is uncertain, with some recent economic indicators pointing to a slowdown in the U.S. economy, and with the impact of an escalation in trade tensions and economic slowdown in China.
We believe the Japanese economy will continue its modest recovery driven by domestic demand, amid continued improvements in the employment and income conditions. However, we are concerned that global economic slowdown will cause decline in exports and recognize that there may be a downside risk to the Japanese economy due to overseas political and economic trends.
Turning to the Group’s operating environment, besides the uncertainness of the domestic economic outlook, rising energy costs and worsening labor shortages are also concerns.
Against this backdrop, the Group will implement measures such as to strengthen the group governance framework, including quality control outlined in “2. Management Policies.”
For the fiscal year ending March 31, 2020, our consolidated operating performance forecasts predict net sales of ¥1,700.0 billion, operating profit of ¥51.0 billion, ordinary income of ¥62.0 billion, and net income attributable to owners of parent of ¥30.0 billion on the assumption of average exchange rates of ¥110/USD and ¥125/EUR and a copper price of 290¢/lb.

(2) Overview of financial position

Total assets at the end of the consolidated fiscal year under review stood at ¥1,938.2 billion, down ¥72.7 billion from the end of the previous consolidated fiscal year. This result was mainly due to a decrease in investment securities.

Total liabilities were ¥1,214.9 billion, a decrease of ¥27.6 billion from the end of the previous consolidated fiscal year. This was mainly due to a decrease in the current portion of bonds payable.

The cash flows during the consolidated fiscal year under review and their causes are as follows.

(Cash flow from operating activities)

Net cash provided by operating activities amounted to ¥140.1 billion (an increase in net cash provided of ¥89.4 billion year on year). This rise was primarily due to a decrease in inventories in addition to income before income taxes.

(Cash flow from investing activities)

Net cash used in investing activities totaled ¥86.2 billion (an increase in net cash used of ¥2.2 billion year on year). This cash was primarily used for outlays related to capital expenditure.

(Cash flow from financing activities)

Together, operating and investing activities produced a net inflow of ¥53.9 billion, and the Company allotted these funds for the redemption of bonds, among other matters. Accordingly, net cash used in financing activities was ¥47.6 billion (an increase in net cash used of ¥36.5 billion yen year on year).

As a result of the above, as well as the effect of exchange rate change and other factors, the balance of cash and cash equivalents as of March 31, 2019 stood at ¥99.6 billion, up ¥12.3 billion from March 31, 2018.

Below is a summary of the major cash flow indicators.

	FY2015	FY2016	FY2017	FY2018	FY2019
Shareholders' equity ratio (%)	29.0	31.0	32.8	33.9	32.7
Shareholders' equity ratio on a market-value basis (%)	27.9	23.2	23.3	20.8	19.7
Ratio of interest-bearing debt to cash flow	6.0	4.6	4.7	10.6	3.7
Interest coverage ratio	12.9	16.5	23.3	10.0	28.9

Shareholders' equity ratio: Shareholders' equity / Total assets
Shareholders' equity ratio on a market-value basis: Market capitalization / Total assets
Ratio of interest-bearing debt to cash flow: Interest-bearing debt / Cash flow
Interest coverage ratio: Cash flow / Interest payments

(Note 1) All indicators are calculated on a consolidated basis.

(Note 2) Market capitalization is based on the year-end share price multiplied by the number of shares issued and outstanding at year-end (after deducting treasury shares).

(Note 3) Cash flow is based on the cash flow from operating activities in the Consolidated Statements of Cash Flows.

(Note 4) Interest-bearing debt covers all interest-bearing debt in the Consolidated Balance Sheets. Interest payments are based on the amounts shown in the Consolidated Statements of Cash Flows.

(3) Basic profit distribution policies and dividend payments for the current and next fiscal years

Based on its Articles of Incorporation, the Company is to distribute surpluses following resolutions at Board of Directors meetings. We regard the distribution of profits to shareholders as one of our most important priorities. Accordingly, our policy is to make decisions on profit appropriation based on comprehensive consideration of various factors related to overall management, such as income over the relevant period, retained earnings, and financial position.

During the period of the Medium-Term Management Strategy, from FY2018 to FY2020, the Company is emphasizing the distribution of consecutive dividends even if the Company's performance is changed. The Company will pay annual dividends 80 yen per share during the FY2018-2020 period. If the consolidated dividend payout ratio is lower than 25%, the Company will temporarily increase the dividend or purchase treasury stock.

Based on this policy, the Board of Directors, at its meeting on May 13, 2019, decided to distribute a year-end dividend of ¥40, which, combined with the interim dividend of ¥40, brings the annual dividend for the fiscal year under review to ¥80 yen per share (same as the previous fiscal year).

The Company plans to pay a dividend of ¥80 per share (¥40 interim dividend and ¥40 year-end dividend) for the fiscal year ending March 31, 2020.

(4) Business and other risks

Because the Group, as stated in "Segment Information" of "4. Consolidated Financial Statements" is engaged in a broad variety of business activities, its business results and financial position are influenced by all kinds of factors such as political affairs, economy, weather, market conditions, currency movements, and laws and ordinances, both inside and outside the country. Listed below are factors that may have a particularly substantial impact on the Group.

Please note that although the matters listed in this section contain items related to the future, these items have been chosen as of May 13, 2019.

1) Corporate reorganization

The Group is always engaged in selection and concentration of its various businesses, actively investing management resources in businesses with high profitability, while at the same time actively conducting revisions, reorganizations, and restructuring of its businesses, always ready to consider possibilities regarding collaboration with other companies. These results may affect the business results and financial position of the Group.

2) Market and customer trends

The Group provides products and services to all kinds of industries, and factors such as changes of the conditions of the world economy, rapid changes in customers' markets, changes in customers' market share, and changes in customers' business strategies or product development trends may influence the sales of the products of the Group. Especially the automobile industry and IT-related industry are exposed to intense competition in the area of prices and technical development, and while the Group takes every precaution endeavoring to reduce the costs and develop new products and technologies, in cases where we cannot appropriately respond to the changes in industries and customers' markets, the business results and financial position of the Group may be affected.

3) Rates for nonferrous metals, exchange fluctuation, etc.

In the Metals business, dividends from mines the Group made capital subscriptions into that are denominated in foreign currency, which are the main sources of profits, as well as smelting expenses, etc. are influenced by rates for nonferrous metals, exchange fluctuations, and conditions of TC/RC. Furthermore, in the area of inventories, there is the risk of rates for nonferrous metals and exchange fluctuation influencing the material costs in the period from the procurement of the ore to the production and sales of the metals.

Also, such items as nonferrous metals used as raw materials in the Aluminum business and the Metalworking Solutions business as well as coal in the Cement business are international merchandise, and the acquisition cost of these raw materials and mineral fuel can be influenced by fluctuation of market prices, exchange rate, ocean freight, etc., for nonferrous metals and coal.

4) Trends in the conditions of the semiconductor market

The Group supplies electronic materials, polycrystalline silicon, etc. for the semiconductor industry, and the business results and financial position of the Group may be influenced by conditions of the semiconductor market.

5) Interest-bearing debt

In the term ended March 31, 2019, the interest-bearing debt of the Group of ¥494.7 billion (which is the sum total of short-term loans payable, commercial papers, bonds payable, and long-term loans payable; same below if there are no explanatory notes) accounts for 25.5% of the total assets. Although we are making efforts to improve the financial position by reducing inventories, asset sales, etc., the future financial situation may affect the business results and financial position of the Group.

6) Guaranty of liabilities

In the term ended March 31, 2019, the Group has undertaken ¥19.9 billion guaranty of liabilities against monetary liabilities of affiliated companies, which are not included in the scope of consolidation. In cases where a situation arises in the future in which we are requested to fulfill these guaranties of liabilities, this may affect the business results and financial position of the Group.

7) Fluctuations of the market value of assets

Fluctuations in the market value of securities, land, and other assets possessed may affect the business results and financial position of the Group.

8) Retirement benefit expenses and obligations

Employees' retirement benefit expenses and obligations are calculated based on assumptions and conditions mainly derived from actuarial calculations. In setting these assumptions and conditions, we take into consideration employees' average remaining length of service, long-term interest on the Japanese government bonds, as well as the status of pension assets including shares contributed to trust funds, but losses caused by declines in the discount rate or operations with pension assets may affect the future expenses and obligations posted by the Group.

9) Environmental regulations, etc.

In each business establishment in and outside the country, the Group makes efforts to control pollution, including air pollution, water pollution, and soil pollution, in accordance with environmental laws and ordinances, and in dealing with abandoned mines within the country is endeavoring to control mine pollution by, for example, preventing water pollution from mine water or management of the dumps in accordance with the Mine Safety Act. However, in cases where related laws are revised or permissible greenhouse gas emission volumes are limited, the Group may need to bear new expenses, and this may affect the business results and financial position of the Group.

10) Overseas operations, etc.

The Group has production bases, sales bases, and other bases in 31 countries and regions abroad and foreign sales account for 44.9% of its consolidated net sales. The business results and financial position of the Group may be influenced by political / economic conditions, exchange rates at each country as well as changes of trading / commercial regulations, mining policies, environmental regulations, systems of taxation, other unforeseen changes of laws or regulations as well as differences of interpretation thereof, and changes of management policies of local cooperators and partners.

11) Intellectual property rights

The Group fully recognizes the importance of intellectual property rights and makes efforts to protect them, but in cases where the measures to protect the same are insufficient, or in cases where our rights are illegally infringed on, this may affect the business results and financial position of the Group. At the same time, although the Group handles the intellectual property rights held by other companies with the greatest possible care, in cases where it is established that we have infringed on the intellectual property rights held by other companies and have to pay liabilities, such as compensation for damages, this may also affect the business results and financial position of the Group.

12) Quality of the products

The Group aims to provide high quality products and is working to strengthen its quality control framework. However, if the Group incurred compensation and other expenses not foreseen at present in relation to products manufactured and sold in the past, or if a major quality issue occurred and the Group’s sales activities were affected by a loss of trust, or the Group incurred expenses necessary to improve and strengthen its quality control framework or compensation and other expenses, these may affect the business results and financial position of the Group.

13) Occupational health and safety, equipment accidents, etc.

The Group takes thoroughgoing measures to prevent occupational accidents and incidents involving production machinery. Our efforts span both intangible aspects such as management frameworks for occupational health, safety, security and accident prevention, and tangible approaches such as operational and maintenance management and improving the safety of equipment. In the event of a major accident at work or an accident to the equipment, this may affect the business results and financial position of the Group.

14) Management of information

The Group strives to ensure thoroughness in the management of information, including the handling of personal information, but in cases where a leak of information or some other accident to information occurs, damage to our reputation in society or other factors may affect the business results and financial position of the Group.

15) Lawsuits, etc.

The business results and financial position of the group may be influenced by rulings, amicable settlements, verdicts, etc. related to lawsuits, disputes, and other legal procedures, in which the Group is one of the parties concerned at present, or will be one of the parties concerned in the future in relation to the business conducted by the Group presently or in the past within the country or in foreign countries.

16) Procurement of electricity

The business results and financial position of the Group may be influenced by increases in the prices for electricity resulting from such factors as cost increases of imported fossil fuels due to the suspension of operation of nuclear power stations and increases in charges for renewable energy.

17) Operating Result of Diamet Corporation

Diamet Coporation., a consolidated subsidiary of the Company, has continuously posted operating losses and impairment losses on non-current assets, and is in a state of excessive liabilities. Although the Company has provided financing to Diamet Corporation to continue its business, if deterioration in the subsidiary's operating results continues in the future, it may affect the business results and financial position of the Group.

18) Other matters

In addition to the above, the business results and financial position of the Group may be influenced by changes in trade practices, earthquakes, flood and other natural disasters, terrorist attacks, wars, epidemics, and other unexpected circumstances.

2. Management Policies

(1) Basic Policy for the Group Management

The vision of the Group is “We will become the leading business group committed to creating a sustainable world through materials innovation, with the use of our unique and distinctive technologies, for People, Society and the Earth.” based on a corporate philosophy of “for People, Society and the Earth.”

(2) Target Management Indicators and Medium- to Long-term Management Strategy and Issues to Be Addressed

The Group will pursue a number of measures based on the “Long-Term Management Policy”, which looks ahead 10 years, and the “Medium-Term Management Strategy” for FY2018-FY2020, starting with “Measures to Enhance the Group Governance Framework Including Quality Control.”

1) Measures to Enhance the Group Governance Framework Including Quality Control

The Company sincerely apologizes to its customers, shareholders, and all other parties for any and all inconvenience again in connection with the delivery of some of the products manufactured and sold in the past that deviated from customer standards or internal company specifications, due to misconduct including the rewriting of inspection records data and the insufficient testing, and the revocation of JIS certification for copper slag aggregates in Naoshima Smelter and Refinery, which were announced from November 2017 through to June 2018.

In connection with these incidents, the Company’s consolidated subsidiaries Mitsubishi Cable Industries, Ltd., Diamet Corporation and Mitsubishi Aluminum Co., Ltd. were found guilty of violating the Unfair Competition Prevention Act by Tokyo Summary Court in February 2019.

Meanwhile, the Group has been validating the safety of products with the cooperation of customers and has confirmed with respect to all customers that there are no problems with any major aspects of safety.

The Company and the Group will continue to implement and further develop the following “Restructuring Measures of the Governance Framework for Quality Control in the Group” and the “Governance Framework Enhancement Measures of the Group,” in order to prevent such situations again in the future.

(i) Restructuring Measures of the Group Governance Framework for Quality Control

A) Implementation of a Front Loading System for Order Receiving
B) Enhancement of the Framework and Authority of the Quality Control Department
C) Expansion of Quality Training
D) Promoting Automated Inspection Equipment
E) Enhancement of Quality Audits
F) Utilization of Outside Consultant

(ii) Group Governance Framework Enhancement Measures

A) Enhancement of Framework for Discussion, Reporting and Follow-up of Governance-Related Matters
B) Improvement of Functions of Management Divisions and its Collaboration with Operating Divisions
C) Improvement of Human Resources Training and Encouragement of Active Interaction
D) Audit Strengthening
E) Studies with a Business Optimization Focus

2) Long-term Management Policy

The businesses of the Group have set the Medium- to Long-Term Targets (the company in the future) and the Group-wide Policy as the Long-Term Management Policy as described below, to realize the vision described in the “Basic Policy for the Group Management in (1)” above.

<Medium- to Long-term Targets (the company in the future)>

- Leading company in domestic and overseas key markets
- Achieving high profitability and efficiency
- Achieving growth that exceeds the market growth rate

<Group-wide Policy>

- Optimization of business portfolio
- Comprehensive efforts to increase business competitiveness
- Creation of new products and businesses

3) Management Policies in the Medium-Term Management Strategy (for FY2018-FY2020)

In the Medium-Term Management Strategy, we will pursue the Group-Wide Policy set in the Long-term Management Policy. To achieve a “accommodation to changes in the external environment” and the “Build a structure focusing on strategy,” which were the issues in the previous Medium-Term Management Plan, we have made the shift from the “Medium-Term Management Plan” centering on financial plans in the past to the “Medium-Term Management Strategy” focusing on the planning and implementation of growth strategies.

(i) Optimization of business portfolio

The Company will classify its business into three categories: “stable growth business,” “growth promotion business” and “profitability restructuring business,” and will promote selection and concentration and improve capital efficiency after determining a direction geared to the characteristics of each business and clarifying any issues. Stable growth business consists of the Cement, Metals (smelting), Recycling and renewable energy businesses, and in this category, the Company will aim to strengthen its business foundations by maintaining and improving cost competitiveness. Growth promotion business consists of the Metals (copper and copper alloy products) and Advanced materials & tools businesses, and here the Company will seek business development in adjacent fields and global markets to outperform market growth. Profitability restructuring business consists of the Electronic materials & components and Aluminum businesses. In this category, the Company will work promptly to solve issues and define the future direction of growth.

(ii) Comprehensive efforts to increase business competitiveness

We will improve and innovate “manufacturing” in the business divisions through the optimal use of technology management resources by enhancing the support system by the corporate divisions. With this, we will make comprehensive efforts to increase our business competitiveness by promoting “Differentiation” and “New development,” such as the development of new products and new manufacturing technologies, to become an entity that is one step ahead of other companies through early responses to changes in the business environment.

(iii) Creation of new products and businesses

To foster businesses that will become a future revenue foundation and create new businesses, we will create and foster new products and new businesses that will become the core for sustainable growth by positioning important social needs the Company should meet are identified as “next-generation vehicles,” “internet of things (IoT) and artificial intelligence (AI)," and "building a rich, sustainable society." The Company plans to create and develop new products and new businesses that are vital for sustainable development.

In addition, we will promote specific measures, with the following items as key strategies.
- Achieve growth through innovation
- Create value by building a recycling-oriented society
- Increase the company's market presence through investment for growth
- Increase efficiency through continuous improvement

<Issues in each business>
● Advanced Products
In the copper and copper alloy products business, demand of automotive and other products is expected to remain stable. In this environment, we will continue to increase profitability by creating business synergy with MMC Copper Products Oy, which was included in the scope of consolidation from the previous fiscal year, and by enhancing sales competitiveness through the accelerated development of high-value added products, drawing on our technological and development capabilities.
In the electronics materials & components business, demand of products for home appliances and automotive is expected to grow, and demand of products for semiconductor manufacturing equipment is also expected to recover from the second half of FY2020. In these circumstances, we will strive to enhance profitability by using our core technological capabilities and strengthening our sales competitiveness and our ability to make proposals to customers, always remaining a step ahead of customers' needs in each market. In the polycrystalline silicon, the business environment is expected to remain difficult. However, we will make efforts to further improve quality and reduce costs to establish business foundations, with safety and stable operation as the top priorities.
In the aluminum products business, growth in demand of heat exchanger sheet materials for automobiles and foil products for lithium-ion battery, which are rolled and processed aluminum products, are expected. We will, therefore, work to strengthen production capacity and improve productivity and will also promote the establishment of global supply system mainly in North America, and the development of high-value added products. In the beverage aluminum bottle cans, we will develop and increase sales of diverse products, including upsized cans and cans with many different shapes, and we will endeavor to maintain and increase competitiveness.

● Metalworking Solutions Business
The market condition for cemented carbide products is expected to remain generally firm despite concern over the impact of the economic slowdown in China. Under these circumstances, we will continue to conduct effective sales operations, focusing on industries and regions with high growth potential. In particular, we will prioritize the investment of our management resources in the aerospace industry, which is in the growth stages, and seek to strengthen manufacturing, R&D and sales functions. In the area of cutting tools, under the two brands DIAEDGE (Mitsubishi Materials Corporation) and MOLDINO (Mitsubishi Hitachi Tool Engineering, Ltd.) we will work on provided customer-oriented solutions that will build customer trust as a true partner. In particular, we are promoting the establishment of new technology centers and the enhancement of their functions and capacity in key regions around the world and will continue to do so in the future. Regarding the sourcing of key materials, tungsten and cobalt, we will continue working to reduce sourcing risks and sourcing costs by improving the recycling amount of tungsten and diversifying procurement sources.
Turning to sintering parts, etc., in order to increase earnings of this business, we will work to enhance quality and productivity by introducing automated inspection equipment to save labor and implementing measures to

improve yield ratio. In addition, Diamet Corporation which manufactures and sells sintering parts has continuously posted operating losses and impairment losses on non-current assets, and is in a state of excessive liabilities. The Company has set a commitment line and has provided financing to Diamet Corporation.

● Metals Business

The supply capacity of copper mines is not expected to be able to keep pace with rising demand for copper concentrate resulting from the startup of new smelters and the expansion of existing smelters in countries such as China and India, and conditions for TC/RC are also expected to deteriorate in the short term.

Regarding the copper business, demand for area of electric wire is expected to remain firm in connection with the Tokyo Olympic and Paralympic Games and redevelopment in the Tokyo metropolitan area, and demand for area of rolled copper products appears to have plateaued slightly but is expected to remain solid, particularly for automotive. However, we will keep a close watch on future trends because the uncertainty caused by the trade tensions between the US and China, Brexit and the economic slowdown in China pose downside risks for demand and copper prices.

Under these circumstances, in copper mining business, we will focus on improving existing projects and developing new projects and will support smelter's operations by providing smelters with a stable supply of clean copper concentrate with minimum impurities. In the new Zafranal Project (Peru), we plan to complete the feasibility study during 2019 and move on to the task of acquiring environment licenses and permits.

In copper smelting and refining business, thanks to our efforts to expand our processing capacity of E-Scrap by improving facilities and strengthening our collection system, E-Scrap processing capacity of the Group is expected to reach 160,000 tons per year. In the future, we aim to strengthen profitability by fully utilizing our world-leading collection and processing capacity.

However, with the increase in E-Scrap processing amount, the volumes and types of impurities that are input to the smelting process increase, making the recovery rate of valuable metals are lower. We are, therefore, making improvements to operations by such as expanding facilities to deal with the problem and this has proved effective to some degree. At the same time, we are also optimizing management of E-Scrap yards and strengthening inventory management. In the future, we will continue to focus on further improvements and promote enhancement of E-Scrap processing technologies. We will also seek to optimize the material balance which is becoming increasingly complex due to the processing of diverse raw materials by promoting stronger collaboration with each production location and working on the establishment of a more efficient recovery system for valuable metals.

● Cement Business

In Japan, although demand is anticipated from an increase in public works under the "three-year emergency response plan for disaster prevention, disaster mitigation, and building national resilience", redevelopment project in the Tokyo metropolitan area and construction projects of Shinkansen, there is also concern over delays in construction due to labor and transport capacity shortages. Therefore domestic demand for cement in FY2020 is estimated at around 42.50 million tons, unchanged from FY2019. In these circumstances, we will strive to secure sales volumes by steadily taking in demand for cement for the large projects.

In the United States, demand for cement and ready-mixed concrete is expected to remain firm because public works are in an upward trend mainly due to the government's policy of investing in infrastructure. While rising labor costs, fuel and energy costs will be a factor affecting profitability, we will pass cost increases on to customers as appropriate. We will also reduce the cost of cement through improvement of plant facilities and expand sales of ready-mixed concrete through the operation of new ready-mixed concrete plants and aim for further improvement in sales and profit.

3. Basic Concept of Selection of Accounting Standards

The Group’s policy is to prepare its consolidated financial statements in accordance with Japanese Accounting Standards for the time being, taking into consideration the comparability of consolidated financial statements between different accounting periods and against different companies.

We plan to act appropriately in adopting International Financial Reporting Standards (IFRS), taking various circumstances into consideration.

4. Consolidated Financial Statements

(1) Consolidated balance sheet

(Million yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	93,389	108,648
Notes and accounts receivable-trade	260,427	248,220
Merchandise and finished goods	91,772	92,452
Work in process	132,043	108,293
Raw materials and supplies	142,275	134,825
Gold receivable	88,862	99,154
Others	138,824	120,954
Allowance for doubtful accounts	(2,518)	(2,900)
Total current assets	945,077	909,647
Non-current assets		
Property, plant and equipment		
Buildings and improvements, net	153,490	157,448
Machinery, equipment and vehicles, net	217,620	243,815
Land, net	236,709	235,664
Construction in progress	23,105	34,211
Other, net	14,632	16,275
Total property, plant and equipment	645,559	687,415
Intangible assets		
Goodwill	44,636	40,816
Other	19,938	17,924
Total intangible assets	64,574	58,740
Investments and other assets		
Investment securities	303,924	236,572
Net defined benefit asset	449	1,050
Deferred tax assets	22,965	19,610
Others	32,813	29,322
Allowance for doubtful accounts	(4,297)	(4,088)
Total investments and other assets	355,855	282,467
Total non-current assets	1,065,989	1,028,622
Total assets	2,011,067	1,938,270

	As of March 31, 2018	As of March 31, 2019
		(Million yen)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	158,369	147,566
Short-term loans payable	206,142	180,100
Current portion of bonds payable	25,000	–
Commercial papers	–	5,000
Income taxes payable	9,151	7,869
Provision for bonuses	13,228	12,872
Gold payable	246,227	253,918
Provision for loss on disposal of inventories	783	624
Provision for product compensation	–	1,435
Other	118,097	118,623
Total current liabilities	777,001	728,011
Non-current liabilities		
Bonds payable	50,000	50,000
Long-term loans payable	240,292	259,667
Provision for loss on business of subsidiaries and associates	986	805
Provision for product compensation	–	1,040
Provision for environmental measures	37,833	40,427
Deferred tax liabilities	36,102	25,616
Deferred tax liabilities for land revaluation	24,162	24,097
Provision for directors' retirement benefits	1,384	1,623
Net defined benefit liability	51,647	50,003
Other	23,162	33,639
Total non-current liabilities	465,570	486,921
Total liabilities	1,242,571	1,214,933
Net assets		
Shareholders' equity		
Capital stock	119,457	119,457
Capital surplus	92,422	92,393
Retained earnings	361,430	352,932
Treasury stock	(2,089)	(2,123)
Total shareholders' equity	571,222	562,659
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	95,487	51,220
Deferred gains or losses on hedges	1,068	124
Revaluation reserve for land	33,071	33,023
Foreign currency translation adjustment	(10,312)	(5,828)
Remeasurements of defined benefit plans	(8,066)	(7,617)
Total accumulated other comprehensive income	111,249	70,922
Non-controlling interests	86,023	89,754
Total net assets	768,495	723,337
Total liabilities and net assets	2,011,067	1,938,270

(2) Consolidated statement of income and consolidated statements of comprehensive income
Consolidated statement of income

(Million yen)

	Year Ended March 31, 2018 (Apr. 1, 2017–Mar. 31, 2018)	Year Ended March 31, 2019 (Apr. 1, 2018–Mar. 31, 2019)
Net sales	1,599,533	1,662,990
Cost of sales	1,379,877	1,469,911
Gross profit	219,655	193,078
Selling, general and administrative expenses	146,835	156,217
Operating profit	72,819	36,861
Non-operating profit		
Interest income	812	1,254
Dividend income	19,447	19,577
Rent income on non-current assets	4,866	5,123
Share of profit of entities accounted for using equity method	–	3,594
Other	2,657	2,861
Total non-operating profit	27,784	32,412
Non-operating expenses		
Interest expenses	5,058	4,855
Settlement expenses of remaining business in mines	4,098	3,382
Rent expenses on non-current assets	2,867	3,043
Loss on retirement of non-current assets	4,494	2,435
Share of loss of entities accounted for using equity method	1,336	–
Other	3,127	4,876
Total non-operating expenses	20,982	18,593
Ordinary income	79,621	50,679
Extraordinary income		
Gain on sales of non-current assets	6,760	5,021
Gain on sales of investment securities	5,667	1,596
Other	1,752	1,301
Total extraordinary income	14,179	7,919
Extraordinary losses		
Impairment loss	11,035	8,440
Provision for environmental measures	9,092	6,630
Loss on valuation of investment securities	400	3,376
Provision for product compensation	–	2,529
Loss on non-conforming products	3,202	–
Other	2,291	1,275
Total extraordinary losses	26,023	22,253
Income before income taxes	67,777	36,345
Income taxes - current	18,941	16,187
Income taxes - deferred	4,698	12,550
Total income taxes	23,639	28,738
Net income	44,137	7,606
Net income attributable to non-controlling interests	9,542	6,307
Net income attributable to owners of parent	34,595	1,298

Consolidated statements of comprehensive income

(Million yen)

	Year Ended March 31, 2018 (Apr. 1, 2017–Mar. 31, 2018)	Year Ended March 31, 2019 (Apr. 1, 2018–Mar. 31, 2019)
Net income	44,137	7,606
Other comprehensive income		
Valuation difference on available-for-sale securities	40,535	(44,468)
Deferred gains or losses on hedges	490	(1,141)
Revaluation reserve for land	(147)	–
Foreign currency translation adjustment	(9,165)	7,371
Remeasurements of defined benefit plans	3,578	392
Share of profit of entities accounted for using equity method	637	(517)
Total other comprehensive income	35,930	(38,363)
Comprehensive income	80,068	(30,756)
(Breakdown)		
Comprehensive income attributable to owners of parent	73,000	(39,086)
Comprehensive income attributable to non-controlling interests	7,067	8,329

(3) Consolidated statement of changes in equity

Year Ended March 31, 2018 (Apr. 1, 2017–Mar. 31, 2018) (Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury share	Total shareholders' equity
Balance at beginning of current period	119,457	92,422	333,526	(2,017)	543,390
Changes of items during period					
Dividends of surplus			(9,168)		(9,168)
Net income attributable to owners of parent			34,595		34,595
Reversal of revaluation reserve for land			1,711		1,711
Increase associated with change in accounting period of consolidated subsidiaries			83		83
Increase associated with the increase in number of consolidated subsidiaries			681		681
Increase associated with the decrease in number of equity method affiliates					–
Purchase of treasury shares				(72)	(72)
Disposal of treasury shares		(0)		0	0
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(0)	27,903	(71)	27,831
Balance at end of current period	119,457	92,422	361,430	(2,089)	571,222

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	55,226	888	34,930	(1,418)	(11,735)	77,891	88,913	710,195
Changes of items during period								
Dividends of surplus								(9,168)
Net income attributable to owners of parent								34,595
Reversal of revaluation reserve for land								1,711
Increase associated with change in accounting period of consolidated subsidiaries								83
Increase associated with the increase in number of consolidated subsidiaries								681
Increase associated with the decrease in number of equity method affiliates								–
Purchase of treasury shares								(72)
Disposal of treasury shares								0
Change in ownership interest of parent due to transactions with non-controlling interests								(0)
Net changes of items other than shareholders' equity	40,260	180	(1,858)	(8,894)	3,669	33,358	(2,889)	30,468
Total changes of items during period	40,260	180	(1,858)	(8,894)	3,669	33,358	(2,889)	58,300
Balance at end of current period	95,487	1,068	33,071	(10,312)	(8,066)	111,249	86,023	768,495

Year Ended March 31, 2019 (Apr. 1, 2018–Mar. 31, 2019) (Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury share	Total shareholders' equity
Balance at beginning of current period	119,457	92,422	361,430	(2,089)	571,222
Changes of items during period					
Dividends of surplus			(11,786)		(11,786)
Net income attributable to owners of parent			1,298		1,298
Reversal of revaluation reserve for land			48		48
Increase associated with change in accounting period of consolidated subsidiaries					–
Increase associated with the increase in number of consolidated subsidiaries			1,940		1,940
Increase associated with the decrease in number of equity method affiliates			0		0
Purchase of treasury shares				(36)	(36)
Disposal of treasury shares		(0)		1	1
Change in ownership interest of parent due to transactions with non-controlling interests		(28)			(28)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(29)	(8,498)	(34)	(8,562)
Balance at end of current period	119,457	92,393	352,932	(2,123)	562,659

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	95,487	1,068	33,071	(10,312)	(8,066)	111,249	86,023	768,495
Changes of items during period								
Dividends of surplus								(11,786)
Net income attributable to owners of parent								1,298
Reversal of revaluation reserve for land								48
Increase associated with change in accounting period of consolidated subsidiaries								–
Increase associated with the increase in number of consolidated subsidiaries								1,940
Increase associated with the decrease in number of equity method affiliates								0
Purchase of treasury shares								(36)
Disposal of treasury shares								1
Change in ownership interest of parent due to transactions with non-controlling interests								(28)
Net changes of items other than shareholders' equity	(44,267)	(944)	(48)	4,484	448	(40,326)	3,730	(36,595)
Total changes of items during period	(44,267)	(944)	(48)	4,484	448	(40,326)	3,730	(45,158)
Balance at end of current period	51,220	124	33,023	(5,828)	(7,617)	70,922	89,754	723,337

(4) Consolidated statement of cash flows

(Million yen)

	Year Ended March 31, 2018 (Apr. 1, 2017–Mar. 31, 2018)	Year Ended March 31, 2019 (Apr. 1, 2018–Mar. 31, 2019)
Cash flow from operating activities		
Income before income taxes	67,777	36,345
Depreciation	57,025	59,974
Amortization of goodwill	4,395	4,544
Increase (decrease) in allowance for doubtful accounts	(187)	128
Increase (decrease) in provision for loss on business of subsidiaries and associates	23	(181)
Increase (decrease) in provision for product compensation	—	2,475
Increase (decrease) in provision for environmental measures	5,265	2,594
Increase (decrease) in net defined benefit liability and directors' retirement benefits	(1,548)	(1,392)
Interest and dividend income	(20,260)	(20,831)
Interest expenses	5,058	4,855
Share of (profit) loss of entities accounted for using equity method	1,336	(3,594)
Loss (gain) on sales of property, plant and equipment	(6,368)	(4,830)
Loss on retirement of non-current assets	4,494	2,435
Impairment loss	11,035	8,440
Loss on non-conforming products	3,202	—
Loss (gain) on sales of investment securities	(5,064)	(1,596)
Loss (gain) on valuation of investment securities	(736)	3,376
Decrease (increase) in notes and accounts receivable - trade	(37,337)	13,922
Decrease (increase) in inventories	(65,635)	33,177
Proceeds from sales of gold bullion	119,985	99,992
Purchase of gold bullion	(99,460)	(99,684)
Decrease (increase) in other current assets	(20,182)	9,611
Increase (decrease) in notes and accounts payable - trade	34,764	(13,707)
Increase (decrease) in accrued expenses	2,853	(896)
Increase (decrease) in other current liabilities	7,010	9,750
Increase (decrease) in other non-current liabilities	(3,386)	645
Other	(1,247)	(1,692)
Subtotal	62,811	143,865
Interest and dividend income received	22,043	22,771
Interest expenses paid	(5,057)	(4,847)
Income taxes (paid) refund	(27,365)	(20,135)
Loss on non-conforming products paid	(1,716)	(1,486)
Net cash provided by (used in) operating activities	50,715	140,168

(Million yen)

	Year Ended March 31, 2018 (Apr. 1, 2017–Mar. 31, 2018)	Year Ended March 31, 2019 (Apr. 1, 2018–Mar. 31, 2019)
Cash flow from investing activities		
Purchase of property, plant and equipment	(71,494)	(88,746)
Proceeds from sales of property, plant and equipment	10,048	6,396
Purchase of intangible assets	(1,431)	(1,735)
Purchase of investment securities	(757)	(573)
Proceeds from sales of investment securities	7,168	3,000
Purchase of shares of subsidiaries	(863)	(1,350)
Proceeds from sales of shares of subsidiaries	0	285
Proceeds from liquidation of subsidiaries	–	2,149
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(38,829)	–
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	273	–
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	14,903	–
Payments for transfer of business	(1,541)	–
Payments of loans receivable	(6,202)	(2,720)
Collection of loans receivable	4,615	992
Other	154	(3,935)
Net cash provided by (used in) investing activities	(83,957)	(86,238)
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable	20,981	(17,733)
Proceeds from long-term loans payable	47,358	61,547
Repayments of long-term loans payable	(66,251)	(52,462)
Proceeds from issuance of bonds	20,000	–
Redemption of bonds	(15,000)	(25,000)
Increase (decrease) in commercial papers	–	5,000
Purchase of treasury shares	(72)	(36)
Cash dividends paid	(9,168)	(11,786)
Dividends paid to non-controlling interests	(6,546)	(5,249)
Other	(2,334)	(1,893)
Net cash provided by (used in) financing activities	(11,034)	(47,613)
Effect of exchange rate change on cash and cash equivalents	(2,927)	1,375
Net increase (decrease) in cash and cash equivalents	(47,204)	7,691
Cash and cash equivalents at beginning of period	132,616	87,355
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	714	4,624
Increase (decrease) in cash and cash equivalents resulting from change in accounting period of consolidated subsidiaries	1,228	–
Cash and cash equivalents at end of period	87,355	99,672

Segment Information

[Segment Information]

1. Overview of reporting segments

(1) Method of determining reporting segments

The reporting segments of Mitsubishi Materials Corporation are those units of the Company for which separate financial statements are available and which are subject to regular review by the Board of Directors to determine the allocation of management resources and evaluate business results.

The Company has adopted an internal-company structure, and each internal company and each business division and department carry out their business activities by formulating comprehensive strategies in Japan and overseas for the products and services they handle.

Therefore, the Company consists of segments according to products and services based on the internal companies and positions four businesses, namely “Advanced Products,” “Metalworking Solutions Business,” “Metals Business,” and “Cement Business” as the reporting segments.

(2) Types of products and services belonging to each reporting segment

The main products in each business are as follows.

(i) Advanced Products	Copper and copper alloy products, electronic materials and components, aluminum products
(ii) Metalworking Solutions Business	Cemented carbide products, sintering products
(iii) Metals Business	Copper smelting and refining (copper, gold, silver, sulfuric acid, etc.)
(iv) Cement Business	Cement, aggregates, ready-mixed concrete, concrete products

2. Method of calculating the amounts of net sales, income and losses, assets, liabilities and other items for each reporting segmentFigures for income in the reporting segments are based on ordinary income.
Internal revenues and transfers between segments are based on actual market prices.

3. Matters regarding the change of the reporting segments, among other changes

At the meeting of the Board of Directors held on August 7, 2018, the Company resolved to partially change the organization of business divisions. This change was made on October 1, 2018.

The Copper & Copper Alloy Products in the Metals Company, the Electronic Materials & Components Company and the Aluminum Div. are integrated to “Advanced Products Company” as a single in-house company, with the aim of strengthen its product planning, marketing and proposal capabilities for key areas and main customers in a cross-functional manner.

Associated with this, the Company has changed the method of business segmentation from the “Cement Business,” “Metals Business,” “Advanced Materials & Tools Business,” “Electronic Materials & Components Business,” “Aluminum Business” and “Others business” to the “Advanced Products,” “Metalworking Solutions Business,” “Metals Business,” “Cement Business” and “Others business.”

In this regard, the segment information for the previous consolidated fiscal year that is disclosed herein is made according to the changed method of segmentation.

4. Information relating the amounts of net sales, income and losses, assets, liabilities and other items for each reporting segment

Year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others Business	Total	Adjustment amount	Amount reported in consolidated financial statements
Net sales								
(1) Outside customers	523,071	149,635	542,833	188,612	195,381	1,599,533	–	1,599,533
(2) Within consolidated group	13,012	11,542	172,506	3,766	54,122	254,949	(254,949)	–
Total	536,083	161,177	715,340	192,378	249,503	1,854,482	(254,949)	1,599,533
Segment income	18,491	16,808	25,400	21,044	8,312	90,057	(10,436)	79,621
Segment assets	597,317	217,271	585,152	323,857	163,442	1,887,041	124,025	2,011,067
Segment liabilities	463,870	118,309	416,668	150,384	106,939	1,256,172	(13,601)	1,242,571
Other items								
Depreciation	16,232	11,227	11,235	11,533	3,663	53,893	3,131	57,025
Amortization of goodwill	288	1,230	–	2,873	2	4,395	–	4,395
Interest income	407	41	481	80	329	1,340	(527)	812
Interest expenses	2,346	892	1,377	1,233	513	6,364	(1,305)	5,058
Share of profit or loss of entities accounted for using equity method	1,355	43	1,305	1,891	(5,940)	(1,343)	7	(1,336)
Investment in equity method affiliates	10,974	–	5,103	21,569	4,948	42,596	(152)	42,444
Increase in property, plant and equipment and intangible assets	19,054	16,516	14,451	16,818	5,106	71,948	4,283	76,231

Notes:
1. "Others" includes nuclear energy-related services, environmental and recycling-related business, real estate business, and engineering-related services.
2. "Adjustment amount" of segment income of -¥10,436 million includes the elimination of intersegment transactions of -¥5 million and corporate expenses of -¥10,431 million which are not distributed to the reporting segments. Corporate expenses consist mainly of general and administrative expenses that do not belong to the reporting segments, basic experiment and research expenses, and financial revenue and expenses.
3. "Adjustment amount" of segment assets of ¥124,025 million includes the elimination of intersegment transactions of -¥45,289 million and corporate assets of ¥169,314 million which are not distributed to the reporting segments. Corporate assets consist mainly of assets pertaining to the administrative divisions that do not belong to the reporting segment and assets for basic experiment and research.
4. "Adjustment amount" of segment liabilities of -¥13,601 million includes the elimination of intersegment transactions of -¥44,762 million and corporate liabilities of ¥31,161 million which are not distributed to the reporting segments. Corporate liabilities consist mainly of liabilities pertaining to the administrative divisions that do not belong to the reporting segment and liabilities in basic experiment and research.
5. "Adjustment amount" of the increase in property, plant and equipment and intangible assets of ¥4,283 million consists mainly of capital expenditure of Central Research Institute.
6. Segment income has been adjusted together with ordinary income on the consolidated statements of income.

Year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others Business	Total	Adjustment amount	Amount reported in consolidated financial statements
Net sales								
(1) Outside customers	557,323	159,632	549,232	195,028	201,772	1,662,990	–	1,662,990
(2) Within consolidated group	13,666	11,918	170,864	3,262	53,947	253,660	(253,660)	–
Total	570,990	171,551	720,097	198,291	255,720	1,916,650	(253,660)	1,662,990
Segment income	13,227	15,609	2,323	15,447	14,656	61,264	(10,584)	50,679
Segment assets	531,846	230,636	559,421	329,007	181,327	1,832,239	106,030	1,938,270
Segment liabilities	437,966	126,598	391,460	146,428	107,930	1,210,385	4,548	1,214,933
Other items								
Depreciation	17,228	11,381	11,897	12,515	3,270	56,294	3,680	59,974
Amortization of goodwill	434	1,230	–	2,876	2	4,544	–	4,544
Interest income	416	56	852	115	335	1,776	(522)	1,254
Interest expenses	2,197	856	1,803	1,046	299	6,204	(1,348)	4,855
Share of profit or loss of entities accounted for using equity method	1,304	–	(577)	2,399	468	3,595	(0)	3,594
Investment in equity method affiliates	11,697	–	3,941	22,960	5,265	43,864	(150)	43,714
Increase in property, plant and equipment and intangible assets	26,120	22,810	29,274	16,585	4,081	98,873	4,545	103,418

Notes:
1. “Others” includes nuclear energy-related services, environmental and recycling-related business, real estate business, and engineering-related services.
2. “Adjustment amount” of segment income of -¥10,584 million includes the elimination of intersegment transactions of ¥81 million and corporate expenses of -¥10,666 million which are not distributed to the reporting segments. Corporate expenses consist mainly of general and administrative expenses that do not belong to the reporting segments, basic experiment and research expenses, and financial revenue and expenses.
3. “Adjustment amount” of segment assets of ¥106,030 million includes the elimination of intersegment transactions of -¥51,667 million and corporate assets of ¥157,698 million which are not distributed to the reporting segments. Corporate assets consist mainly of assets pertaining to the administrative divisions that do not belong to the reporting segment and assets for basic experiment and research.
4. “Adjustment amount” of segment liabilities of ¥4,548 million includes the elimination of intersegment transactions of -¥51,808 million and corporate liabilities of ¥56,356 million which are not distributed to the reporting segments. Corporate liabilities consist mainly of liabilities pertaining to the administrative divisions that do not belong to the reporting segment and liabilities in basic experiment and research.
5. “Adjustment amount” of the increase in property, plant and equipment and intangible assets of ¥4,545 million consists mainly of capital expenditure of Central Research Institute.
6. Segment income has been adjusted together with ordinary income on the consolidated statements of income.

[Related information]

Year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

1. Information by product and service

The note is omitted because the same information is disclosed in the Segment Information.

2. Information by region

(1) Net sales (Million yen)

Japan	United States	Europe	Asia	Other	Total
865,373	144,243	52,315	520,350	17,250	1,599,533

(2) Property, plant and equipment (Million yen)

Japan	United States	Europe	Asia	Other	Total
523,681	80,496	5,383	34,254	1,742	645,559

1. Categories of country and region are based on geographical proximity.
2. Main countries and regions belonging to categories other than the United States
   (1) Europe Germany, the United Kingdom, Spain, France and Finland
   (2) Asia Indonesia, Republic of Korea, Malaysia, Singapore, China, Taiwan, Hong Kong and Thailand
   (3) Other Australia, Canada and Brazil

3. Information by main customer

The note is omitted because there is no customer who accounts for 10% or more of net sales in the consolidated statement of income.

Year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

1. Information by product and service

The note is omitted because the same information is disclosed in the Segment Information.

2. Information by region

(1) Net sales (Million yen)

Japan	United States	Europe	Asia	Other	Total
916,687	159,656	84,863	480,389	21,394	1,662,990

(2) Property, plant and equipment (Million yen)

Japan	United States	Europe	Asia	Other	Total
544,068	83,929	9,188	48,657	1,570	687,415

1. Categories of country and region are based on geographical proximity.
2. Main countries and regions belonging to categories other than the United States
   (1) Europe Germany, the United Kingdom, Spain, France and Finland
   (2) Asia Indonesia, Republic of Korea, Malaysia, Singapore, China, Taiwan, Hong Kong and Thailand
   (3) Other Australia, Canada and Brazil

3. Information by main customer

The note is omitted because there is no customer who accounts for 10% or more of net sales in the consolidated statement of income.

[Information relating to impairment losses of non-current assets by reporting segment]

Year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others Business	Total	Corporate or elimination	Grand total
Impairment loss	6,047	4,785	–	31	165	11,029	6	11,035

(Note) Adjustment of impairment loss of ¥6 million consists mainly of the impairment loss of idle assets.

Year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others Business	Total	Corporate or elimination	Grand total
Impairment loss	2,445	5,547	–	232	66	8,291	148	8,440

(Note) Adjustment of impairment loss of ¥148 million consists mainly of the impairment loss of idle assets.

[Information relating to amortization and unamortized balance of goodwill by reporting segment]

Year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others Business	Total	Corporate or elimination	Grand total
Amortization in the fiscal year ended March 31, 2018	288	1,230	–	2,873	2	4,395	–	4,395
Unamortized balance at the end of the fiscal year ended March 31, 2018	8,697	8,525	–	27,405	7	44,636	–	44,636

The amortization and the unamortized balance of negative goodwill arising from business combination, etc. conducted before April 1, 2010 are as follows.

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others Business	Total	Corporate or elimination	Grand total
Amortization in the fiscal year ended March 31, 2018	–	–	–	–	–	–	–	–
Unamortized balance at the end of the fiscal year ended March 31, 2018	2,221	–	–	–	–	2,221	–	2,221

Year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others Business	Total	Corporate or elimination	Grand total
Amortization in the fiscal year ended March 31, 2019	434	1,230	–	2,876	2	4,544	–	4,544
Unamortized balance at the end of the fiscal year ended March 31, 2019	7,762	7,302	–	25,746	4	40,816	–	40,816

The amortization and the unamortized balance of negative goodwill arising from business combination, etc. conducted before April 1, 2010 are as follows.

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others Business	Total	Corporate or elimination	Grand total
Amortization in the fiscal year ended March 31, 2019	–	–	–	–	–	–	–	–
Unamortized balance at the end of the fiscal year ended March 31, 2019	2,221	–	–	–	–	2,221	–	2,221

Per-share Information

	Year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Net assets per share	5,211.20 yen	4,838.31 yen
Net income per share	264.15 yen	9.92 yen

(Notes) 1. Diluted net income per share is not stated because there are no dilutive shares.

2. The basis for the calculation of net income per share is as follows.

	Year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	Year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)
Net income per share		
Net income attributable to owners of parent (million yen)	34,595	1,298
Amount not attributable to ordinary shareholders (million yen)	–	–
Net income attributable to owners of parent pertaining to common stock (million yen)	34,595	1,298
Average number of shares issued during terms (thousand shares)	130,972	130,956

Important Subsequent Events

(Change of segmentation)

At the meeting of the Board of Directors held on February 12, 2019, the Company resolved to partially change the organization of business division. This change was made on April 1, 2019.

The coal-related business in the "Others business" changed to the "Cement Business," in which coal is used as thermal energy, to achieve more efficient business management.

Information on net sales, income and losses, assets and liabilities and other items for each reporting segment in the consolidated fiscal year under review based on the new segments is as follows.

Year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

Information relating the amounts of net sales, income and losses, assets, liabilities and other items for each reporting segment

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others Business	Total	Adjustment amount	Amount reported in consolidated financial statements
Net sales								
(1) Outside customers	557,323	159,632	549,232	249,552	147,249	1,662,990	–	1,662,990
(2) Within consolidated group	13,666	11,918	170,864	4,098	47,515	248,064	(248,064)	–
Total	570,990	171,551	720,097	253,650	194,764	1,911,055	(248,064)	1,662,990
Segment income	13,227	15,609	2,323	19,725	10,378	61,264	(10,584)	50,679
Segment assets	531,846	230,636	559,421	368,081	142,254	1,832,239	106,030	1,938,270
Segment liabilities	437,966	126,598	391,460	132,014	122,344	1,210,385	4,548	1,214,933
Other items								
Depreciation	17,228	11,381	11,897	12,708	3,077	56,294	3,680	59,974
Amortization of goodwill	434	1,230	–	2,876	2	4,544	–	4,544
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Interest expenses	2,197	856	1,803	1,193	152	6,204	(1,348)	4,855
Share of profit or loss of entities accounted for using equity method	1,304	–	(577)	2,399	468	3,595	(0)	3,594
Investment in equity method affiliates	11,697	–	3,941	22,960	5,265	43,864	(150)	43,714
Increase in property, plant and equipment and intangible assets	26,120	22,810	29,274	16,972	3,694	98,873	4,545	103,418

Notes:
1. "Others" includes nuclear energy-related services, environmental and recycling-related business, real estate business, and engineering-related services.
2. "Adjustment amount" of segment income of -¥10,584 million includes the elimination of intersegment transactions of ¥81 million and corporate expenses of -¥10,666 million which are not distributed to the reporting segments. Corporate expenses consist mainly of general and administrative expenses that do not belong to the reporting segments, basic experiment and research expenses, and financial revenue and expenses.
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4. "Adjustment amount" of segment liabilities of ¥4,548 million includes the elimination of intersegment transactions of -¥51,808 million and corporate liabilities of ¥56,356 million which are not distributed to the reporting segments. Corporate liabilities consist mainly of liabilities pertaining to the administrative divisions that do not belong to the reporting segment and liabilities in basic experiment and research.
5. "Adjustment amount" of the increase in property, plant and equipment and intangible assets of ¥4,545 million consists mainly of capital expenditure of Central Research Institute.
6. Segment income has been adjusted together with ordinary income on the consolidated statements of income.